

IN THE  
**United States Circuit Court of Appeals**

**For the Ninth Circuit**

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CLAUDE REES, CHARLES F. HINE, REES BLOW  
PIPE MANUFACTURING COMPANY, INC. (a cor-  
poration), and PROGRESSIVE EVAPORATOR COM-  
PANY, INC. (a corporation),

*Defendants-Appellants,*

VS.

NORMAN LOMBARD, MONTGOMERY FLYNN, WILL-  
IAM T. ECKHOFF, NORMAN LOMBARD and  
ELLEN LOMBARD, Trustees for Ellen Lombard,  
Elizabeth Lombard and Norman Lombard,  
Junior,

*Plaintiffs-Appellees.*

**BRIEF ON BEHALF OF DEFENDANTS-APPELLANTS.**

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**BRIEF ON BEHALF OF DEFENDANTS-APPELLANTS.**

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**I. GENERAL STATEMENT OF FACTS.**

This case comes before this court on an appeal from an interlocutory decree adjudging and enjoining infringement generally of one issued United States patent and *two pending applications for patents not yet issued*,\* said decree being rendered in a suit where-in infringement, alleged in the bill, specifically denied in the verified answer and nowhere admitted in the

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\* All italics herein may be deemed ours.

record, was found *but no evidence whatsoever of the construction or operation of the device complained of was offered at the trial or is present in the record to show such infringement.*

We will here briefly state the circumstances and the facts out of which arose the litigation which resulted in such a remarkable and unbelievable adjudication leaving for consideration in the argument a more detailed discussion of the various facts relied upon to show the necessity for reversal.

For convenience we will hereinafter refer to the appellees as the plaintiffs and the appellants as the defendants.

The improvement forming the subject matter of the patent, infringement of which is complained of in the bill is the invention of Rees, one of the defendants, and the improvements forming the subject matter of the two *pending applications* are the joint inventions of said Rees and the defendant Hine. Said Rees and Hine are each the owner of an undivided half interest in all of said inventions and letters patent (R. 213, 215, 216. See also license agreement R. 36). In order to understand how the owners of such inventions and the letters patent granted for one of them happened to be sued for infringement thereof in the trial court it is necessary to consider for a moment the relationship existing between the parties to the litigation.

The Rees Blow Pipe Manufacturing Company, one of the defendants, as is common knowledge in this district, is an old and well established San Francisco concern and is engaged in the manufacture and sale of machinery such as its name implies. Said corpora-

tion is owned by Rees and Hine, Rees owning approximately two-thirds, and Hine approximately one-third of the capital stock of said company (R. 213). Rees and Hine, being the owners of the inventions mentioned, they together with defendant Neal formed a partnership for the sale of devices embodying such inventions. It is unnecessary here, or at any point in this brief to consider the construction or operation of such devices or any of the devices referred to herein other than to know that they relate to mechanism for drying fruit, because strangely enough, although this suit is one for alleged patent infringement *no evidence whatsoever was offered at the trial, or is found in the record showing the construction or operation of the devices* complained of as infringements or even the construction or operation of the inventions either of the patent or of the pending applications.

The business of selling said fruit drying mechanism or evaporators conducted by Rees, Hine and Neal was essentially a venture engaged in by Rees and Hine separate and apart from the business of their corporation the Rees Blow Pipe Manufacturing Company for the purpose of keeping such business separate from the corporation's business which was evidently of a different nature.

In order to further facilitate the purpose of Rees and Hine to conduct their business with respect to the sale of evaporators independently of the business of the Rees Blow Pipe Manufacturing Company, they decided to form a corporation to carry on said business formerly conducted by the partnership of Rees,

Rees and Hine. Such corporation was formed, and on February 10, 1922, Rees and Hine granted to it a license to manufacture and sell evaporators, said license being an exclusive one and including the three inventions here in question, *patents for none of which had been obtained at the time of the granting of said license*. This license is set out as exhibit "B" on page 36 of the record. In changing their evaporator business from a partnership to a corporation Rees and Hine selected the name of Progressive Evaporator Company, Inc., for the corporation so formed. An agreement was entered into between such corporation and the Rees Blow Pipe Manufacturing Company whereby the latter was to manufacture and supply evaporators to the former at prices agreed upon.

The incorporators of the new concern of Rees and Hine so formed, consisted of the said Rees, Hine and Neal, a bookkeeper Powell one of the defendants here in and plaintiff Norman Lombard. Lombard was then and still is an attorney at law (R. 148) and was made one of the incorporators and later an officer of the corporation because of assistance which he was supposed to give Rees and Hine in securing financial aid for their evaporator business (R. 321).

The business of Rees and Hine, formerly conducted by them with their partner Neal was transferred to their new corporation the Progressive Evaporator Company, Inc. (R. 45). It is to be noted and will hereinafter be explained in detail that the business of the new corporation was merely a continuation of the former business of the partnership, in both instances said business being essentially that of Rees and Hine as



individuals separate from their business conducted by the Rees Blow Pipe Manufacturing Corporation. Also it is to be noted that everything with which such business of the corporation was to be conducted was derived either from the former business of the partnership or from Rees and Hine. The attorney Lombard was connected with the new organization for the assistance which he might give in conducting its affairs and assisting in the financing thereof (R. 321). It is of controlling importance in this case to note that except for a trifling contribution in cash for a few shares of stock (R. 125), *Lombard contributed nothing to the assets of the new corporation.*

The affairs of the venture of Rees and Hine in manufacturing and selling evaporators through their corporation, the Progressive Evaporator Company, Inc. did not prosper, largely, as we will hereinafter show, through the failure of Lombard to give the necessary assistance to such business and to conduct the same as required (R. 198, 330-331). Royalties due to Rees and Hine under the license to the Progressive Evaporator Company, Inc., consequently became in arrears. Similarly monies due to Rees Blow Pipe Manufacturing Company for machines sold to the Progressive Evaporator Company, Inc. were unpaid. This condition of affairs continued until Rees and Hine realizing that their business of selling evaporators under their new form of organization in which Lombard was involved could not be a success and that the royalties due to them under the license were not being paid (R. 220, 307), decided to cancel the license in accordance with its provisions.

Accordingly, pursuant to the terms of said license agreement (R. 53), they served notice of cancellation and terminated said agreement, by notice dated January 12, 1923. Thereafter Rees and Hine made arrangements with defendants Neal and Ward whereby Neal and Ward were to undertake the sale of evaporators and the Rees Blow Pipe Manufacturing Company was to manufacture said plants for Neal and Ward.

Thus Rees and Hine having been unable to successfully carry on their business through their corporation the Progressive Evaporator Company, Inc., because of Lombard's interference therewith, they undertook to engage in the manufacture and sale of evaporators through the new arrangement above mentioned. Mr. Lombard, on the theory that as a stockholder of the evaporator company of Rees and Hine he had been deprived of some rights through such cancellation of the license and that said cancellation was for that reason ineffectual, and the license still in force, brought suit as a stockholder of the Progressive Evaporator Company, Inc. against Rees, Hine, Neal, Ward and Rees Blow Pipe Manufacturing Company and other defendants alleging infringement by them of the exclusive rights granted to the Progressive Evaporator Company, Inc. Service of the *subpoena ad respondendum* was not had upon any of said defendants other than those named above (R. 55, 56, 57, 58). The bill was taken *pro confesso* against defendants Neal and Ward, and Rees, Hine, Rees Blow Pipe Manufacturing Company and Progressive Evaporator Company, Inc. answered the bill. In said suit, Lombard joined with him as plaintiffs other

persons who, so he alleged, had acquired some interest in the few shares of stock issued to him.

From this it will appear that in the suit below the cause of action asserted by Lombard was a twofold one depending upon the establishment of *two propositions* before the plaintiffs could prevail; first that the acts complained of constituted infringement of the exclusive rights in question and secondly that the cancellation of the license by Rees and Hine was ineffectual so that sufficient title to the exclusive rights granted by the license existed to sustain the right to sue. As far as defendants Rees and Hine were concerned, they, of course, could not deny the validity of the patent in suit and did not attempt to. However, in their pleadings they, and the other answering defendants, specifically denied infringement. On the issues so framed, the burden was clearly left upon the plaintiffs to establish (1) the tort complained of, i. e., infringement, and (2) the invalidity of the cancellation by Rees and Hine. No burden whatever was placed upon the defendants in such a case. The plaintiffs, in order to prevail, necessarily had to establish both matters mentioned above.

The case went to trial upon the issues raised as explained above. The plaintiffs offered proofs in an effort to show that the cancellation of the license was invalid but failed entirely to offer any proof whatever with respect to the issue of infringement. They failed even to offer the original patent in suit or a certified copy thereof showing the drawings, specification and claims relied upon. Apart from a printed copy of said patent, annexed to the bill of complaint, as an exhibit

thereby, we are wholly unimpaired therefore as to the nature or contents of said patent. Similarly the plaintiffs failed entirely to offer any evidence whatsoever with respect to the construction or operation of any device herein complained of as an infringement. At the close of the case defendants moved the court for dismissal of the bill upon the ground that the plaintiffs had failed entirely to establish the material allegations of the bill (R. 399). The cause was submitted on briefs and thereafter the court rendered its opinion pursuant to which a decree was entered finding the defendants Rees, Hine, Rees Blow Pipe Manufacturing Company, Progressive Dehydrator Company a copartnership and Ward and Neal the partners thereof guilty of infringement and ordering that said defendants be enjoined from making or selling "any device or apparatus embodying or containing the *inventions* described and claimed in and by said letters patent *and in and by said applications for letters patent*"; that the cancellation of the Rees and Hine license to Progressive Evaporator Company, Inc., was invalid so that plaintiff had the right to sue for such infringement; that Progressive Evaporator Company, Inc. recover from said defendants the profits and damages arising from said infringement of said letters patent *and said applications for patents*; that it recover also damages for the cancellation of the license and that the court reserved the right to enter judgment in favor of the plaintiffs for such amounts and in addition thereto an *attorney's fee*.

On such a record, it would be difficult indeed to conceive how such a decree could be granted were it not for the light thrown upon the situation by the memo-

randum opinion of the court below. As explained therein, the court took up the consideration of the case many months subsequent to the trial and after many of the detailed facts had escaped its memory. Thus, in the opinion, it is said:

“Tried in July, the case well might have been decided forthwith, but time for briefs was secured, the last of which was filed in November. In consequence *much of the extensive details have escaped memory (praise be)*.

Neither time permits nor duty requires a busy court, at a time long subsequent to trial, to laboriously *peruse the testimony and winnow exhibits to recover details*—virtually retry the case, nor can delay for briefs impose that obligation upon any court.”

As we will hereinafter show, the errors in the adjudication under review are most evidently attributable to the lack of recollection admitted in the above quotation.

After due summons and severance with respect to defendants Neal and Ward individually, and as partners doing business as Progressive Dehydrator Company, against whom an order for decree *pro confesso* had been entered (R. 401, 402, 403) the appellants took this appeal.

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## II. THE DEFENSES RELIED UPON.

The decree appealed from, we submit is erroneous and should be reversed for the following reasons and upon the following grounds:

A. The plaintiffs have wholly failed to sustain the burden upon them to establish the alleged tort of infringement.

B. The plaintiffs have wholly failed to sustain the burden upon them to show invalidity of the cancellation of the license under which they claim.

C. There was no evidence to support, and the court below had no jurisdiction to award an injunction against infringement of the *pending applications* mentioned in the decree, nor the accounting ordered with respect to such infringement.

D. The facts do not support and the court below was without jurisdiction to make the award of attorney's fees.

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**III. THE PLAINTIFFS HAVE WHOLLY FAILED TO SUSTAIN THE BURDEN OF PROOF UPON THEM TO ESTABLISH INFRINGEMENT.**

From what has been said above, it will appear that in the court below *two matters* had to be established to enable plaintiffs to succeed in the cause; first, that the tort complained of, to-wit, infringement, had been committed and secondly, that the cancellation of the license to Progressive Evaporator Company, Inc. was invalid so that plaintiffs had capacity to sue. It would avail plaintiffs nothing and did avail plaintiffs nothing to prove either one of these propositions. It was inevitably essential to their case to prove *both* with the degree of proof required by the well recognized rules of law. On this appeal, however, the situation is reversed, for in order to reverse the decree, it is but necessary to show that plaintiffs have failed to sustain the burden upon them to prove infringement. This being established, it becomes wholly immaterial whether or not the cancellation of the license was

valid, or whether or not the Progressive Evaporator Company, Inc. had an exclusive license *which might be infringed*. Plaintiffs clearly are not entitled to a decree if they have failed to prove any infringement of such exclusive license. It follows therefore that the first question to be examined in this court and indeed the only one which needs to be examined is whether or not a decree for infringement can be sustained where no proof of the alleged infringing act complained of is offered by the plaintiffs, for if a decree cannot be sustained in the absence of such proof, that is an end of the matter and a reversal necessarily follows. We therefore will consider here first the question of infringement and deal later with the question of the cancellation of the license.

**A. Infringement Is a Tort and the Burden of Proving It Affirmatively Is Upon the Plaintiffs.**

The issue of non-infringement is clearly raised by the pleadings. In the bill of complaint verified by Lombard, infringement is alleged as follows:

“That thereafter the said Neal, Rees and Hine, entirely neglected the business of the said Progressive Evaporator Company, Inc., and disregarded and ignored its rights in all particulars, and in violation and infringement of the patent rights and of the letters patent covered by the said license agreement, in which the said corporation has an interest by virtue of said license agreement, the said Rees and Hine, and the Rees Blow Pipe Manufacturing Company, Inc., and the said defendants Neal and Ward individually, and as copartners have manufactured and sold and are now manufacturing and selling the said patented de-

...vices, and that said defendants last above mentioned ever since the 13th day of January, 1923, in pursuance of said fraudulent conspiracy and scheme have infringed and violated the said rights secured by said patents above referred to, and the interests of the Progressive Evaporator Company, Inc., to said patent rights created by said license agreement.

\* \* \* \* \*

That the defendants Dee Hi Food Products Company, A. C. St. Marie with full knowledge of the facts set forth hereinbefore and well knowing the rights of the Progressive Evaporator Company, Inc., as set forth herein, to exclusively manufacture and sell the said drying systems and equipment, have assisted, and are now assisting and aiding and abetting the defendants, Rees, Hine, Neal, Ward and the Rees Blow Pipe Manufacturing Company, Inc., in the manufacture and sale of said devices, drying systems and equipment, and in the infringement of said patent and patent rights" (R. 22, 24, 25).

The answer to said bill of complaint verified by defendant Hine specifically denies said allegation of infringement in the following words:

"These defendants deny that thereafter, said Neal, Rees and Hine, or any of them, neglected entirely, or otherwise, or at all neglected the business of said Progressive Evaporator Company, Inc., and/or disregarded and/or ignored its rights in all or any particulars and/or in violation and/or infringement of the patent rights and/or of the letters patent covered by said license agreement said Rees and Hine and/or Rees Blowpipe Manufacturing [67] Company,



Inc., and/or said defendants, Neal and Ward, individually and/or as copartners have manufactured and/or sold and/or are now manufacturing or selling said patented devices and/or that said defendants Rees, Hine and Neal, or any of them, ever since January 13th, 1923, in pursuance of said fraudulent conspiracy and/or scheme and/or at any other time or at all, have infringed and/or violated said rights secured by said patents above referred to, and/or the interests of said Progressive Evaporator Company, Inc., to said patent rights created by said license agreement.

These defendants deny that the defendants, Dee Hi Food Products Company and A. C. St. Marie, or either of them, as alleged in Paragraph XVIII of said complaint, or otherwise, or at all, have assisted, and/or are now assisting and/or aiding and/or abetting defendants Rees, Hine, Neal, Ward and Rees Blowpipe Manufacturing Company, Inc., or any of them, in the manufacture and/or sale of said devices, and/or drying systems, [69] and/or equipment, in the infringement of said patent and/or patent rights, or any thereof" (R. 78, 81).

The issue framed by the pleadings as quoted above is the usual issue of non-infringement in a patent suit.

It is true that the bill of complaint contains allegations and the answer denials with respect to infringement of rights under the license agreement. This, however, is mere surplusage with respect to the allegations of strict patent infringement and has no place in this case. Concededly the jurisdiction of the court below and of this court depends upon the fact that

the suit is one for alleged infringement of letters patent and not for breach of any contract. This is necessarily so because no diversity of citizenship appears or exists to support any action upon the contract alone. The suit is essentially and primarily one for infringement of a patent.

The bill of complaint then, alleging infringement of a patent and the answer under oath denying specifically such allegation, the burden was upon plaintiffs to affirmatively prove the manufacture and sale of a device *embodying the combination of elements defined in one or more of the twelve claims* of the patent in suit. The burden was upon them to do this not by mere evidence showing the *possibility* or *probability* of infringement but by evidence *affirmatively showing with reasonable certainty that the defendants made or sold or used a device embodying said invention so claimed in one or more of the twelve claims of said patent*. It is not enough that evidence be produced from which such infringement might be inferred or conjectured. *The proof in this regard must be positive and clear.*

From an examination of the uncertified copy of the said patent forming exhibit "A" to the bill of complaint (R. 28), it will be seen that said patent covers an invention of a very narrow and restricted scope, residing principally in details of construction. Each of the twelve claims is a combination claim consisting of an enumeration of a long list of elements, each forming part of the claimed combination. It is elementary that to show infringement of such claims, it is essential to show in the machine complained of *the presence of each and every of the enumerated*

elements of the claim relied upon, operating in the alleged infringing device according to the same mode of operation as that of the machine of the patent and accomplishing the same result, in order to establish infringement of said claim.

“Omission of one element or ingredient of a combination covered by any claim of a patent, averts any charge of infringement based on that claim, whether or not the omitted ingredient was essential to the combination of the patent, and whether or not it was necessary to the operative-ness of the device. And it makes no difference that another element is made to do the work of itself and of the omitted element. A combination is an entirety. If one of its elements is omitted, the thing claimed disappears. Every part of the combination claimed is conclusively presumed to be material to the combination, and no evidence to the contrary is admissible in any case of alleged infringement. The patentee makes all the parts of a combination material, when he claims them in combination and not separately.”

*Walker on Patents*, (5th Ed.) pp. 433, 434.

The existence of such facts must be established by the plaintiffs according to the rule of the burden of proof stated above. This rule has been variously expressed in the authorities.

“*Infringement is a tort*, and the burden of proving the commission of a tort rests upon him who asserts it. *If the tort is not clearly established then infringement should not be found.*”

*Valvona-Marchiony Co. v. Perella*, 207 Fed. 377, 379.

The Circuit Court of Appeals for the Third Circuit has expressed the same rule as follows:

“Infringement of a patent is not only a question of fact, *but is a tort or wrong, the burden of*

*establishing which, as in all torts, clearly rests on those who charge such wrong; and the absence of actual fact proof is not met by the presence of expert speculations, no matter how voluminous.*" (Syllabus.)

*Fried Krupp Aktien-Gesellschaft v. Midvale Steel Co.*, (C. C. A. Third Circuit), 191 Fed. 588.

In a case very similar on its facts with the case here presented, the Circuit Court for the Northern District of California applied the same rule and dismissed the bill for failure of the plaintiff to sustain the burden upon him in this regard. In that case as in this one, there was a verified answer denying infringement.

In its decision, the court said:

*"Again, there is no positive testimony that these boots were made, or sold, by the defendants at all. The one witness on the point testifies that he sold the boots to the complainant in this case, and he thinks it is a pair of boots that his own firm purchased of the defendants. He does not know it, but thinks so. That is all there is of that.*

The other circumstance relied on is that there is a mark on the boots, which purports to be the mark of the defendant; but there is no testimony that it is the mark of the defendant, or when or by whom it was put on the boots. Defendants are required to answer under oath, or, what is the same thing in substance, an answer under oath is not waived in the bill, and they deny, under oath, categorically and directly, that they made the boots alleged in the bill to have been made, 'prior to the filing of the bill, or otherwise'. *They deny the infringement alleged, and it requires positive testimony to overthrow that answer.* The answer, so far as responsive to the bill, directly

denying the matters alleged, *not only makes an issue, but it is testimony in the case called for by complainant, proving the issue for defendants; and it must be overthrown by the testimony of two witnesses, or the testimony of one witness, and circumstances equivalent to another, or at least, sufficient to make a preponderance of testimony in favor of complainant.*

\* \* \* \* \*

Only one witness testified that he thought his firm bought the boots of defendants. I am compelled to say that this testimony is insufficient to overthrow the positive denials of the answer, or to establish an infringement. *The burden was on the complainant to show that fact by affirmative evidence.* It is not necessary to investigate the other points. The bill is dismissed on the grounds alone of an insufficiency of the evidence to show an infringement, and failure, also, to show an infringement before the filing of the bill."

*Slessinger v. Buckingham and others*, 17 Fed. 454, 455, 456.

It is not sufficient that the plaintiff may show circumstances from which it may be *suspected* or *inferred* that infringement took place. Proof of such fact must be affirmatively established by unequivocal evidence. In the absence of such proof, the bill of complaint must be dismissed and any decree unsupported by such proof clearly should be reversed.

Dealing with such a situation, the Circuit Court of the Southern District of New York said:

"The contention of the complainant is based entirely upon *suspicion and conjectural inferences* drawn from the printed label on the can containing the baking powder. But this is not sufficient, especially when it is borne in mind that *the allegation of infringement charges a tort, which must be satisfactorily proved.* King v. Anderson, (C.

C.) 90 Fed. 500; Edison Electric Light Co. v. Kaelber, (C. C.) 76 Fed. 804; Slessinger v. Buckingham, (C. C.) 17 Fed. 454. In the absence of evidence indicating that the defendant made, used, or sold the infringing article, or attached the label to the can containing the baking powder, or was engaged in its manufacture in the Southern District of New York, I am not inclined to adopt the complainant's view that a prima facie case of infringement has been established."

*Rumford Chemical Works v. Egg Baking Powder Co.*, 145 Fed. 953, 954.

In dismissing a bill for failure of a plaintiff to sustain the burden of proof under discussion, the Circuit Court for the Eastern District of Pennsylvania, said:

"I agree with the decision in *Westinghouse Electric Co. v. Stanley Electric Co.*, (C. C.) 116 Fed. 641, that, since the commission of an act of infringement within the district has been made essential to the jurisdiction of the court, it is necessary to prove a completed act, and not *merely a threat, or an evident purpose to infringe upon the rights of the patentee*. Indeed, the complainant does not dispute the correctness of this position, but undertook in conformity therewith to prove that the defendants had sold in this district a lamp that infringed his patent. As it seems to me, however, the evidence that was offered upon this point leaves the matter in so much doubt that he cannot be said to have sustained the burden of proof that undoubtedly rested upon him.

\* \* \* \* \*

The defendants did not deny that they had advertised the Majestic lamp in certain numbers of a periodical that were offered in evidence. A lamp of the complainant's design was then produced before the Examiner, and afterwards in court, and the comparison between this lamp and

the picture in the periodical was relied upon to complete the proof that the lamp which, according to the declarations of the salesman, had been sold in Philadelphia by the defendants, infringed the complainant's patented design. Admittedly, therefore, there is no direct proof of a sale, and the question for decision is whether the evidence fairly justifies the inference that an infringing article was sold in this city.

\* \* \* \* \*

For the reasons thus indicated, I cannot avoid the conclusion that he has not produced the proper degree of proof, and that the evidence is not sufficient to satisfy the court that infringing lamps have been actually sold in this district.

Apparently feeling the force of these objections, which were vigorously urged at the final hearing of the cause on June 26, 1906, the complainant presented a petition on July 7th, asking that the case might be reopened to permit him to offer further proof concerning the sale of an infringing lamp. I have carefully considered the affidavits that were presented in support of this motion and in opposition thereto, and I am of opinion that the complainant has not made out a sufficient case for rehearing, within the established rules governing the practice of the courts upon such motions. A rehearing must therefore be refused."

*Gray v. Grinberg et al.*, 147 Fed. 732, 733, 734.

#### **B. The Burden Upon Plaintiffs In This Case Has Not Been Sustained.**

It remains but to consider whether the plaintiffs in this case have sustained the burden of proof as required by the weight of authority as shown in the above cases. It will be recalled that, as in the *Slessinger v. Buckingham* case, supra, the allegations of infringement in the bill of complaint herein are specifically denied in the verified answer. We have

searched carefully the entire record in this case and fail to find any evidence offered in support of the issue so raised, except for some testimony (R. 203, 204) to the effect that evaporators (the construction of which is in no way identified) were sold by defendants Neal and Ward. The patent in suit, even, was not offered in evidence at the trial. The only information which we have concerning said patent is to be derived from an uncertified printed copy thereof attached to the bill of complaint as an exhibit. A photostatic copy of the cover page of the original patent was offered in evidence as Plaintiffs' Exhibit No. 4 but as will be seen from an examination of said exhibit the same contains neither specification nor drawings nor claims. Nothing whatsoever was offered with respect to the two pending applications, infringement of which is depended upon, so that as to the nature of the inventions covered in such pending applications the record is wholly silent. We do not of course concede for a moment that there can be any infringement of a pending application, yet we deem it worthy of consideration at this point that although plaintiffs relied upon infringement of said pending applications, no evidence whatsoever with respect thereto was offered. Similarly *no evidence whatever is found in the record concerning the construction or mode of operation of any device complained of as an infringement herein. No testimony or exhibit showing what such construction or mode of operation may be, is found at any point in the record.*

In view of the specific and detailed nature of the invention covered by the only issued patent in ques-



tion it is most apparent that in order to show infringement of such patent it would be necessary to prove in great detail the exact construction and operation of the machine complained of as an infringement for, according to well recognized principles (*supra*, p. 15) if such machine complained of omitted *any one* of the numerous *elements* of the combinations respectively defined in the claims of the patent, such machine would not infringe. For instance, claim 12 of the patent is for the combination of the following elements:

“A drying apparatus comprising—

- (a) a drying chamber,
- (b) tiers of trays in said chamber for the material to be dried and arranged with
- (c) a passage above the material on each tray extending through the tiers transversely only of said chamber,
- (d) trucks for conveying a succession of tiers of trays through said chamber,
- (e) heating chambers opening upon the side of said drying chamber and the passages through said tiers,
- (f) a plurality of passages communicating with said heating chambers and opening upon the opposite side of said drying chamber and the opposite ends of the passages through said tiers,
- (g) a fan in each of said communicating passages for inducing a current of air through said tiers, heating chamber and communicating passages,

direction,

(i) means for controlling the leakage of air currents between the successive tiers and below the trucks, and

(j) means for causing a gradual progression of the mass of air in said air current longitudinally through said drying chamber and the succession of tiers of trays therein.”

In order to show infringement of such claim it was incumbent upon plaintiffs to offer evidence showing positively and affirmatively and not by mere conjecture or inference, the manufacture, use or sale not merely of a machine of the same general character as that of the patent, *but a machine embodying each and all of the ten enumerated elements of the combination of said claim 12* and then to show further that such elements in the machine complained of operated according to the same mode of operation and accomplished the same results as in the machine of the patent (*Walker on Patents, supra, p. 15*). We find not the slightest evidence of this sort either with respect to claim 12 or any of the other claims of the patent in question. The record is wholly silent as to what the machines complained of may have embodied either as to their various parts or mode of operation or as to the results accomplished thereby. From these facts alone, it follows that the bill of complaint below should have been dismissed and it also inevitably follows that the decree finding and enjoining infringement must be reversed.

any admission appearing in the record which can serve to supply such lack of proof of infringement. A careful examination of the entire record shows that there is nothing therein to overcome the specific denial of infringement set out in the verified answer, and that as far as such record is concerned no admission can be relied upon by the plaintiffs to relieve them of the burden of proving with the required degree of certainty that the defendants have committed the tort complained of in the bill of complaint. Not only is there no admission to replace such failure of proof, but it appears from the record that at the close of the trial defendants' counsel moved for a dismissal of the bill on this very ground.

“Mr. BARRY. I want to make a motion in connection with the matter, your Honor.

The COURT. State it.

Mr. BARRY. I move at this time, for the purpose of preserving the record, for a dismissal of the action here in so far as these defendants are concerned, upon each and every of the following grounds:

That the plaintiff *has failed to establish the material allegations, and each and all of the material allegations of the complaint, or any thereof.*

The COURT. \* \* \* The motion you just made is not really necessary, but it will be taken under advisement” (R. 399, 400).

How the trial court happened to fall into the error of finding infringement and decreeing accordingly on the record herein is difficult indeed to conceive. Pos-

the defendants Neal and Ward had been granted a license similar to that under which the Progressive Evaporator Company, Inc. operated, said defendants must necessarily have built and sold machines having the identical construction and mode of operation covered by the patent (and pending applications not in evidence) and that from such fact it might be assumed that infringement was shown. The cases referred to above, we submit, indicate conclusively that *the tort of infringement cannot be so presumed. It will never be assumed or presumed that any party has committed a tort.* The presumption naturally is that a person has acted rightly rather than wrongly. In other words, the mere fact that a person has a contract to construct a certain machine, which if carried out would result in infringement is not sufficient proof of infringement. It is entirely consistent with such fact that the machine actually constructed may not have been as called for in the contract. It must affirmatively be shown that such machine *was in fact constructed pursuant to such contract and did infringe* in order to support a decree for infringement in such case.

“There is an allegation of infringement on information and belief *and a positive denial under oath. There is no proof of actual infringement.* There is proof that *a contract was awarded the company which if carried out pursuant to the specifications may involve infringement and may not.*

\* \* \* \* \*

Remembering that *the burden of proving infringement is upon the complainant*, and that even in a quia timet suit there must be ‘well

grounded proof of an apprehended intention to violate the patent right' it is thought that there is a failure to prove a case against the defendant."

*Edison Electric Light Co. v. Kaelber*, 76 Fed. 804, 806.

Similarly in another case it was held that although the defendant admitted that its alleged infringing device was constructed in accordance with a patent owned by it and it appeared that a machine constructed *according to said patent* would have infringed the patent in suit, there was nevertheless a failure of proof of infringement because the plaintiff failed to prove that any machine *actually constructed* by defendant under its said patent *did embody the invention* covered by the claims of the patent in suit.

"We concur in the conclusion reached by the court below as to claim 1 of patent No. 441,962, for the reasons stated by the court in its opinion. *The offer by defendant of a copy of an application for a patent, with a statement that the defendant is manufacturing thereunder, is insufficient alone to prove infringement.* It merely serves to show that the defendant claims to manufacture its devices under the protection of said application, so far as it may be material."

*Morrill v. Hardware Jobbers' Purchasing Co. et al.*, C. C. A. Second Circuit, 142 Fed. 756.

Indeed in the case of a complicated machine such as appears in the only issued patent involved herein (R. 28) even if plaintiffs had offered a drawing of the machines complained of without other evidence as to the construction and *mode of operation* thereof, infringement would not have been shown.

part of the machine which the defendant is now using. It was voluntarily submitted to the complainants by the defendant, and was offered in evidence by the complainants as they closed their rebuttal proofs. The counsel for the complainants contend that it shows continued infringement by the defendant. *There is not a line of testimony explaining the exhibit. It is a complicated drawing, and it would be highly presumptuous in us to say it shows infringement. A combination claim is never infringed, except by the use of that which embodies every element of the combination or its equivalent. The burden of proof was on the complainants. Infringement cannot be found on the blue print alone. It follows that the complainants are not entitled to an accounting.*”

*Morton Trust Co. et al. v. Standard Steel Car Co.*, C. C. A. Third Circuit, 177 Fed. 931, 933.

**C. The Failure of the Plaintiffs to Prove Infringement Required a Dismissal of the Bill Below and Necessitates a Reversal of the Decree.**

It is thoroughly well established that a decree for infringement awarding an injunction and accounting cannot be supported unless the plaintiff has fully sustained the burden upon him to show that the defendant has infringed the patent in suit. It follows therefore that the decree in this case must be reversed.

“Neither the patent nor the drawings are in the record, and the models have not been brought up. *Nor have we been able to find anywhere in the record a satisfactory description of the structure which the appellee uses. The burden of proving the infringement is on the appellant. The necessary proof in this respect has not been made, and the decree below is consequently—Affirmed.*”

*Price v. Kelly*, 154 U. S. 669.

is wholly lacking in any evidence to sustain any finding of infringement and the decree therefore must be reversed. It is too late now to remedy this fatal situation. In cases where, as in this one there is admittedly a state of facts where evidence on behalf of a party was equally as available at the time of the trial as subsequently and such evidence was not introduced at the trial, the great weight of authority clearly is to the effect that such party is precluded from thereafter attempting to mend his hold and return to the trial court for the purpose of *offering proofs which were fully available to him at the time of trial*. He cannot wait until an appeal and then hope to introduce such evidence in the appellate court.

“In the absence of statute, the great weight of authority is that defects in proofs cannot be supplied in the appellate court; that court can determine a cause only on the record of the court below, and cannot, without consent of the parties, hear additional proofs.”

4 *Corpus Juris*, 724.

The courts have applied the above rule to the case of a plaintiff in a patent suit who fails to sustain the burden upon him to prove the commission of the tort of infringement with the degree of certainty required by the authorities. The Circuit Court of Appeals for the Second Circuit, a court whose decisions in patent cases are entitled to great weight because of its wide experience in litigation of this nature, so held in the following case, in which it was said:

“*The only act of infringement shown is the sale of a burial casket by J. & J. W. Stolts, a joint-*

York City, on October 15, 1901. It was proved that the joint-stock association was organized January 27, 1896, that the number of its stockholders was eight, its place of business in New York City, and that Julius W. Stolts was in January, 1901, its president and treasurer. It was admitted by the defendant's counsel that at the time of the commencement of the suit in October, 1901, the defendant was such president and treasurer.

\* \* \* \* \*

*No infringing act committed personally by Stolts or by any partnership or association of which he is or was a member having been proved, defendant was entitled to a dismissal.*

Complainant seeks to cure the defects in the record in either of two ways: First, he asks that, in the event of this court's being satisfied that the patent is valid, and that the casket sold by the association infringes its claims, the cause be remanded, with instructions to the Circuit Court to allow complainant to amend so as to aver that Stolts was a stockholder, and to reopen the cause so as to allow him to prove such amendment. No authority disposing in such way of a similar situation has been called to our attention, and such disposition would be fruitful of abuses. If relief were granted in one cause, it might be fairly claimed in another, and so whenever upon analysis of a record on appeal this court might reach the conclusion that the complainant's proof was not sufficiently convincing to show an act of infringement by defendant, a motion would be at once made to reopen the cause so as to give complainant a chance to make his case stronger. Such practice should not be encouraged.

\* \* \* \* \*

The motions to reopen and to amend are denied, and the decree of the Circuit Court is affirmed, with costs."

*National Casket Co. v. Stolts*, C. C. A. Second Circuit, 135 Fed. 534, 535, 536.



The same court dealing with a similar question said:  
“Appellant, after the decision of the case, moved to reopen it, in order to show that it used only fire brick, and did not use chamotte, within the meaning given to it by the court in its opinion. This motion was rightly denied. *The new evidence sought to be introduced might have been brought before the court at the original hearing.* Pittsburgh Reduction Co. v. Cowles Electric Smelting & Aluminum Co. (C. C.), 64 Fed. 125, and cases cited.”

*Panzl v. Battle Island Paper Co.*, C. C. A. Second Circuit, 138 Fed. 48, 51.

Further elaboration upon the question hereinabove discussed seems unnecessary. The facts involved admit of no argument whatsoever. The question does not involve an examination of proof of infringement *to see if such proof is sufficient—there is no such proof whatever* in the record to be considered. The law applying to such facts is equally clear. It follows, therefore, that the decree appealed from must inevitably be reversed for lack of proof of infringement, alone, and such reversal entirely disposes of the case. Consideration of the remaining questions consequently becomes more or less immaterial. However, there are further errors in the decree appealed from which should be noted.

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**IV. THERE CAN BE NO INFRINGEMENT OF A PENDING APPLICATION FOR A PATENT AND THE DECREE APPEALED FROM SHOULD BE REVERSED FOR GRANTING AN INJUNCTION AGAINST SUCH INFRINGEMENT.**

We have already adverted to the fact that the plaintiffs' case arises out of the contention that the

half they are suing has by virtue of the license agreement (R. 36) certain exclusive rights with respect to *three inventions*. From an examination of said license agreement, it appears that at the time of the execution thereof, said inventions *were not patented*. They formed merely the subject matter of *three pending applications for patents*. At the time of the commencement of the suit only one of said applications had resulted in a patent, to-wit, the Rees patent No. 1,413,135 (R. 28), granted upon application serial number 351,538, the first of the three pending applications enumerated in the license agreement. We are wholly uninformed by the record herein concerning the remaining two applications. As far as can be ascertained from said record, said applications may be still pending or they may have been finally rejected by the Patent Office. Also, the record is wholly silent with respect to the construction, mode of operation or result accomplished by the respective inventions, if any, which were disclosed and described in said applications.

• It is but necessary, in order to apprehend immediately the alarming extent to which justice miscarried in the decree appealed from, to note that despite the undisputed facts stated, the decree entered against the appellants herein provided that:

“The defendants, \* \* \* be and they are and each of them is hereby enjoined and restrained until the further order of this court from making or selling or causing to be made or sold any device or apparatus embodying or containing the inventions described and claimed in and by said letters patent *and in and by said applications for*

venter's patent, for use in the drying of food substances and in the drying of eatable fruit and vegetables."

and that:

"Progressive Evaporator Company, Inc., have and recover from the said defendants \* \* \* the profits which the last mentioned five defendants have realized and/or the damage which the Progressive Evaporator Company, Inc., has sustained from and by reason of *the infringement aforesaid*" (R. 92, 93).

The proposition that such an award of an injunction and an accounting for an alleged infringement of mere *pending applications* is entirely contrary to law seems too elementary to require the citation of authorities. However, in view of the fact that the trial court in this regard, as well as in the others herein adverted to, fell into error, it may be well to note in passing some of the leading authorities on the question.

His Honor Judge Gilbert, speaking for this court, has recently declared the law in this respect as follows:

'In *Gayler v. Wilder*, 10 How. 477, 493 (13 L. Ed. 504), Chief Justice Taney said:

'The inventor of a new and useful improvement *certainly has no exclusive right to it, until he obtains a patent*. This right is created by the patent, and no suit can be maintained by the inventor against any one for using it before the patent is issued.'

In *Marsh v. Nichols, Shepard & Co.*, 128 U. S. 605, 612, 9 Sup. Ct. 168, 170 (32 L. Ed. 538), the court said:

'Until the patent is issued there is no property right in it; *that is, no such right as the inventor*

its use, which is one of the elements of a right of property in anything capable of ownership.’  
\* \* \* \* \*

In *Brill v. St. Louis Car Co.* (C. C.), 80 Fed. 909, the court said:

‘Manifestly, therefore, there can be no invasion of the patentee’s rights by any manufacture or use of the device, the subject-matter of the expected patent, prior to the date of the patent.’”

*Columbia & N. R. R. Co. et al. v. Chandler et al.*, C. C. A. Ninth Circuit, 241 Fed. 261, 263.

An early case to the same effect is as follows:

“A court of equity has no jurisdiction to enjoin the infringement of an invention before the patent has been issued, notwithstanding an application for the same has been made, and is still pending in the patent office (syllabus by the court).”

*Rein et al. v. Clayton et al.*, 37 Fed. 354.

As stated above, the license agreement under which the plaintiffs claim, granted rights with respect to *three inventions* covered by *pending applications*. The finding of infringement herein is based upon alleged infringement of the inventions disclosed in *two* of said *pending applications*, so that as far as the inventions here in question are involved, the *majority of the relief sought* is with respect to *inventions covered merely by applications* not yet granted. It necessarily follows that insofar as the decree attempts to grant relief with respect to two of the three inventions, namely, those two covered by the pending applications, it is entirely without warrant of law in view of the above authorities and must be reversed.

It should be noted further in connection with the granting of relief for infringement of the *two pending applications* that there is no proof whatsoever of the manufacture, use or sale of any machines embodying the inventions or either of them covered by said applications. In this respect, the record is in the same condition as far as the pending applications are concerned as was pointed out above with respect to the single issued patent, that is, *it is wholly devoid of proof of any act which might constitute the alleged infringement and therefore must be reversed upon this ground as well.*

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V. IN AN EQUITY SUIT FOR INFRINGEMENT OF A PATENT THE COURT HAS NO POWER OR JURISDICTION TO AWARD ATTORNEYS' FEES AND THE DECREE APPEALED FROM SHOULD BE REVERSED FOR RESERVING THE RIGHT TO AWARD SUCH ATTORNEYS' FEES TO PLAINTIFFS.

Notwithstanding the fact that the suit before it was an ordinary one in equity for alleged infringement of letters patent (and pending applications), the court below assumed that it had the right or the power to award to the plaintiffs recovery of the fees paid by them to their attorneys for the prosecution of the suit. In the decree it is provided that

“this court also reserves the right upon the coming in of said report to determine the *attorneys' fee*, if any, to which the plaintiffs are entitled, to enter judgment in favor of the plaintiffs for their costs and infringements in this action, including a reasonable *attorneys' fee*” (R. 95).

The above is merely a further illustration of the many respects in which the trial and adjudication

Nothing is more thoroughly established in the practice of litigation pertaining to letters patent than the proposition that the successful party in such litigation is in no case entitled to recover the fees paid his counsel other than the so-called solicitor's docket fee of \$20.00 allowed by statute. The measure of a plaintiff's recovery for infringement of letters patent is fully and specifically determined by the statutory provisions under which such plaintiff derives his sole right to any recovery whatsoever. There is nothing in any of said statutory provisions which lends the slightest support to the award of attorneys' fees made in the above decree. On the other hand, the United States Supreme Court has said that in a suit for infringement of a patent the plaintiff, if successful, *is not entitled* to recover any attorneys' fees.

“A patentee is not entitled to reimbursement for counsel fees paid or expenses incurred by him, other than his taxable costs, nor to interest on the profits realized by an infringer” (Syllabus).

*Parks v. Booth*, 102 U. S. 96.

Further authority than the case cited above upon such an elementary proposition of law as that here involved is unnecessary. The award of attorneys' fees made by the court below was erroneous and should therefore be reversed.

UPON THEM TO PROVE THAT THE CANCELLATION OF  
THE LICENSE TO PROGRESSIVE EVAPORATOR COM-  
PANY, INC., WAS INVALID AND OF NO EFFECT.

The entire failure of the plaintiffs, as explained above *to show any infringement of their alleged rights with respect to the three inventions in question*, we submit inevitably requires a reversal of the decree. It is therefore more or less unimportant to consider whether plaintiffs have succeeded or failed in showing any title to the rights so claimed to have been infringed. In other words the situation is substantially the common one in patent suits where no infringement having been shown, the court will decline to consider the questions of either title to or validity of the patent in suit.

In this case, however, it may be worth while to note briefly a few of the plain errors in the adjudication below with respect to the validity of the cancellation of the license under which plaintiffs claim, not only because such errors among others in and of themselves require a reversal, but because such errors confirm the circumstance hereinabove adverted to that the entire adjudication herein and the consequent total miscarriage of justice in this case is largely the result of the fact, admitted in the opinion, that at the time the court below considered and decided the cause, the facts had largely escaped its memory and the record was not referred to to refresh such memory.

A few of the trial court's findings with respect to the question in hand will serve to illustrate such failure to fully apprehend the facts actually disclosed by the record. We here refer to them solely for such purpose of illustration. A complete exposition of the many

this phase of the case and appearing in the opinion and decree of the court below, would require an extended brief on such questions alone. For reasons previously expressed we believe such discussion unnecessary and accordingly will not burden this court therewith.

The license agreement under which plaintiffs claim, provides:

“The third party shall pay to first parties (*Rees and Hine*) *share and share alike*, \* \* \* said royalties on each and every such evaporator equipment” (R. 49).

Said agreement further provides:

“In the event that third party shall fail to keep and perform any of the covenants or conditions herein contained to be kept and performed by him \* \* \* first parties (*Rees and Hine*) shall have the right and option to declare this license agreement abrogated and terminated by serving a written notice to that effect on the third parties, and thereupon this license agreement shall become abrogated and terminated and shall cease and come to an end, and all rights hereby granted and the right of practicing said systems of making and selling said devices shall cease and be terminated solely by the service of said notice” (R. 53).

In finding that the notice of cancellation of said license was invalid and ineffective, so that the license remained in force and plaintiffs had the right to sue, the court said:

“And as royalties accrued to the *Rees* corporation, its was the right to invoke forfeiture, so that notice of forfeiture by *Rees and Hine* goes for nothing. In brief, no forfeiture was effected and the attempt to invoke it failed” (R. 88).



Clearly, under the license agreement *the royalties were due to Rees and Hine* and theirs as licensors, was the right to declare forfeiture for failure to pay such royalties to them. Were it not that the court below has so found, it would be inconceivable that anyone could come to the conclusion that because the *Rees Blow Pipe Manufacturing Company*, a stranger to the agreement had failed to give the notice of cancellation and the licensors *Rees and Hine had done so*, such notice of cancellation was ineffectual. Apparently the court's error in this regard grew out of the fact that it became confused over certain evidence in the record to the effect that the *Rees Blow Pipe Manufacturing Company* for a period of time held the bare legal title to *one* of the *three inventions* covered by the license. The evidence in this regard is quite clear that at all times the entire beneficial interest in said one invention, as well as in the other two inventions covered by the license resided solely in *Rees and Hine*, who were each the owners of an undivided half interest therein (R. 213, 215). Whether or not the legal title to *one* of the *three inventions* covered by the license, namely the one forming the subject matter of the application upon which a patent was granted prior to the bringing of suit, was for a time in the *Rees Blow Pipe Manufacturing Company*, a stranger to the license *certainly cannot change the situation with respect to the other two inventions covered by the license*. With respect to such *two inventions*, the only persons, even according to the court's own theory, who ever had the right to exercise the option to cancel the license agreement were *Rees and Hine*, because *the Rees Blow Pipe Manufacturing Company admit-*

*said two inventions.* However, in view of the facts in the record showing that said corporation *did not even have the beneficial interest in the third invention* for which a patent was ultimately granted, the fact remains that Rees and Hine were the sole persons who could validly exercise the right to forfeit the license and that at no time had the Rees Blow Pipe Manufacturing Company any right to exercise such forfeiture with respect to any of said three inventions *and particularly with respect to said two inventions in which concededly the Rees Blow Pipe Manufacturing Company, never at any time had any interest whatsoever.*

Clearly, under the license, the royalties at all times were payable *solely to Rees and Hine*, and they alone had the right to complain of the failure to pay such royalties and exercise the option to forfeit for such failure, and the record is wholly lacking in any facts to support the conclusion of the court that the Rees Blow Pipe Manufacturing Company was entitled to exercise any such right. It follows therefore that the court below based its conclusion with respect to the validity of the cancellation of the license *upon premises not founded upon facts in the record, and that its decision in this regard was accordingly erroneous.*

Furthermore to hold that Rees Blow Pipe Manufacturing Company and not Rees and Hine was entitled to give notice of cancellation and effect a forfeiture, was in effect to permit the Progressive Evaporator Company, Inc., through which plaintiffs

claim, to deny the title of its licensors Rees and Hine to the inventions in question. The conclusion reached by the court below therefore was not only erroneous on the facts but contrary to law.

“It is urged by the trustee that the claimant was not the real owner of the patents covered by the license. It would be sufficient to point out that the trustee, claiming, as he does, to occupy the position previously held by the bankrupt as licensee under this license, is estopped to deny the title of the licensor. *United States v. Harvey Steel Co.*, 196 U. S. 310, 25 Sup. Ct. 240, 49 L. Ed. 492.”

*In re Michigan Motor Specialties Co.*, 288 Fed. 377, 379.

A further ground upon which the court below found the cancellation by Rees and Hine to be ineffectual was that although admittedly *Rees* and *Hine* had never at any time received *all of the royalties payable to them* under the license agreement, having as the court said received only “about \$4,000.00 and more than *half of the total of and for royalties*” (R. 86), they nevertheless should be held to have received all of such royalties because the Rees Blow Pipe Manufacturing Company had received enough money to pay said royalties and according to the court’s theory Rees and Hine, as officers of the Rees Blow Pipe Manufacturing Company *should have deprived said corporation, the Rees Blow Pipe Manufacturing Company* of some of said monies and applied the same to the payment of royalties due to the *individuals Rees and Hine* in order to prevent said royalties from becoming in arrears. In this the court wholly overlooked the fact that the Progressive Evaporator Company, Inc.,

nevertheless in control of Lombard, the President of said corporation at the time the majority of the royalty payments in question should have been made. *It entirely overlooked the fact that Lombard is the one complaining that payments made were not applied to payment of such royalties, and attempting to show on that ground, the alleged invalidity of the cancellation of the license.* It entirely overlooked the fact that the gravamen of the contention with respect to such cancellation is that monies paid out by *Progressive Evaporator Company, Inc.*, were not properly applied to the payment of royalties so that the royalty account was in arrears and rendered the license subject to cancellation. It entirely overlooked the fact that *Lombard, being in charge of the affairs of said Progressive Evaporator Company, Inc., as its president during the times when the majority of the royalty payments became due had the power and not only the power but the right and the duty to see that all payments made by the company of which he thus was in control was so applied and so credited by the persons receiving the same that none of the rights of the corporation should be jeopardized or endangered.* In other words, it was the obvious duty of Lombard, by virtue of his position as president of the *Progressive Evaporator Company, Inc.*, to insist that any payments made by said company for royalties due under the license agreement be specifically made to the persons entitled thereto under said agreement and to no one else. Similarly it was his duty to see that such persons should give a good and sufficient receipt and release

for the *payment of such royalties* in order to avoid all possibility of cancellation of the license. *All of this was entirely overlooked by the lower court.*

Although Lombard is the one complaining of the failure of the recipient of monies paid by Progressive Evaporator Company, Inc., to apply the same to the discharge of royalties *he is the very person, and the only person* who at the time such payments were made, *had the absolute power to control the application of such monies and the absolute power to refrain from paying any money whatsoever unless the same was paid to the only persons entitled under the license agreement to give a valid acquittance for the payment of such royalties.* Lombard, however, *was negligent in this duty.* He paid no attention whatsoever to these matters. He made no effort whatsoever to see that any monies paid out by the Progressive Evaporator Company, Inc., were first applied to the payment of royalties. He was fully cognizant of the terms of the license agreement and of the importance of seeing that such payments were properly made in order to avoid the possibility of a forfeiture. His training as an attorney at law made him fully capable of entirely understanding and realizing this necessity. There is not a shred of evidence in the record to show that he ever exerted himself in the slightest in this regard. How then can he be heard at this time to complain that the recipient of the monies from the Progressive Evaporator Company, Inc., should have performed what was primarily his duty, and that because of its failure, to wit, the failure of the Rees Blow Pipe Manufacturing Company, a stranger to said agreement, to make such

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and *Hine* have been deprived of their right to effect a forfeiture for the failure to pay royalties?

It is thus apparent that the court below took an entirely opposite view of the situation from that actually presented by the record. That it did so because of lack of recollection of what the record discloses is the only conclusion which can be drawn particularly in view of the statements concerning such recollection appearing in the opinion itself. During the trial the court itself indicated that the duty was upon Lombard, as president of the corporation to safeguard the interests of the Progressive Evaporator Company, Inc., by giving his attention to the method employed in paying royalties. Thus the court said, referring to Lombard:

“Very well. I don't see any necessity of any time being devoted to this particular matter. *This witness (Lombard) was admittedly president, then, and if he did not get the statements, it was not the fault of these defendants, I assume*” (R. 169).

Very evidently the force of the situation, clearly realized by the judge at the time of the trial, was entirely lost by him at the time of rendering the decision.

The conclusion to be drawn from the foregoing discussion is quite evident. The principal plaintiff in this suit is Lombard, president of the Progressive Evaporator Company, Inc. With respect to the question of forfeiture of the license his sole complaint is that Rees and Hine *as officers of the Rees Blow Pipe Manufacturing Company* having failed to



take money received by that company in payment of obligations owing to it for material, and apply the same to the payment of royalties owing to them *as individuals* under the license agreement, they are precluded from availing themselves of the remedy afforded them by the license agreement for failure to pay such royalties. In view of the fact recognized by the court below that Lombard, the president of the Progressive Evaporator Company, Inc., was in control and in charge of the affairs of said company *and was the one person who could conclusively determine how the monies of said company should be paid out and therefore the one who could have insisted upon seeing that monies so paid out were paid out only in discharge of royalties*, the absurdity of placing the burden of proper application of the funds paid out by Progressive Evaporator Company, Inc., upon *Rees and Hine, rather than upon Lombard, having the powers and rights and duties above stated*, is most apparent. A more complete subversion of justice than this cannot readily be imagined. *To hold, as was held by the court below is to permit a person to profit by his own neglect and wrong doing.* Surely one who by his own acts *not only could but should have avoided circumstances leading to the situation which he complains of, should not be heard to contend that others are liable to him for the consequences of such neglect*, even if it were the fact that such others could in some way have averted the damage by their own acts. This however, is the very gist of the plaintiff Lombard's position in this suit, and it is submitted that for this reason alone, as well as the others hereinabove

in this case.

It would require a voluminous and extended brief to point out all of the remaining errors both of fact and of law in the opinion and decree appealed from herein, insofar as the same relate to the alleged invalidity of the cancellation of the license agreement. For reasons hereinabove pointed out, we believe it entirely unnecessary to burden this court with such a discussion. By so limiting such discussion, however, we do not in any way waive or relinquish our insistence that for all of such grounds as well as those specifically referred to the decree should be reversed.

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#### VII. CONCLUSION.

It is respectfully submitted that the plaintiffs have failed to sustain the burden to prove either infringement or any right to maintain this suit, and that for said reasons and the other errors of law hereinabove pointed out, the decree should be reversed with directions to dismiss the bill of complaint.

Dated, San Francisco,  
May 4, 1927.

Respectfully submitted,

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